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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 000734

SIPDIS

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TAGS: [EAID](#) [ECIN](#) [ECON](#) [EFIN](#) [EL](#) [AL](#)

SUBJECT: EMBASSY KUWAIT RESPONSE TO FOREIGN ASSISTANCE INFORMATION REQUEST

REF: A. STATE 52635

[1](#)B. KUWAIT 568

[1](#)C. KUWAIT 185

Classified By: Classified By: Ambassador Deborah K. Jones for reasons 1.4 b and d

[1](#)1. (C) Summary: Kuwait provides substantial foreign assistance, primarily, but not exclusively to Islamic countries, in line with its foreign policy priorities. Kuwait gives an estimated USD 1 billion annually to 100-plus countries, with significant assistance for Lebanon, the Palestinian Territories, and Yemen. Disbursement of substantial aid to Iraq pledged over the years remains stymied by security concerns, Kuwait's ambivalence toward the Maliki government and - according to the GOK - Iraq's failure to designate specific projects, e.g. hospitals or schools. Kuwait is open to greater global cooperation and coordination with both the U.S. and other donors as demonstrated by its hosting of a donor coordination conference at the Arab Fund in February 2007. End Summary.

Generous Assistance

[1](#)2. (C) This cable presents a response to Ref A request for information on Kuwait's approach to foreign assistance and Embassy's assessment of Kuwait's willingness to collaborate more closely with the U.S. to advance shared long-term priorities in countries of mutual interest. Kuwait donates generously through both bilateral and multilateral channels and has demonstrated openness to increasing its global cooperation as highlighted by its hosting of the February 2007 Arab Fund Coordination Conference. Rising oil prices, which have created a budget surplus in recent years, have contributed to an increase in foreign assistance.

[1](#)3. (U) Estimates of Kuwait's annual aid contributions are in excess of USD 1 billion to 100-plus countries. The major funding mechanisms are the Kuwait Fund for Arab Economic Development, the Arab Fund for Economic and Social Development (a pan-Arab, but Kuwait-based agency comprising members of the Arab League and headed by a Kuwaiti official, to which Kuwait is a major contributor), and the Kuwait Red Crescent Society. These organizations offer various forms of assistance throughout the Arab world, Africa, Asia, Europe, and Latin America. As of 2007, the Kuwait Fund distributed 716 loans worth USD 13 billion globally (53% in Arab countries, 20% in Asia and the Pacific, 10% in Western Africa, 8% in Central, East, and Southern Africa, 6% in Europe and Central Asia, and 3% in Latin America and the Caribbean). Of these 716 loans, 479 go to Organization of the Islamic Conference (OIC) countries.

[1](#)4. (U) Most of the aid is provided in the form of direct financial assistance, through loans and grants, and ranges from emergency response to long-term infrastructure programs.

In addition to project lending operations, Kuwaiti aid also focuses on technical assistance and capacity building. Examples of recent pledges include more than USD 100 million pledged for tsunami relief and USD 500 million pledged post-Hurricane Katrina (note: The Katrina pledge consisted largely of an offer to donate oil, which the USG was unable to accept. The GOK's actual contribution to Katrina relief was USD 50 million. End note.). The majority of the long-term development projects target infrastructure (roads, energy, agriculture, water and sanitation), education, and public health.

A Focus on the Middle East

¶5. (C) Lebanon: Both the Kuwait Fund and Arab Fund provide aid to Lebanon. During the Paris III conference in January 2007, the Arab Fund pledged USD 700 million to Lebanon. The Kuwait Central Bank deposited emergency funds in Lebanon's Central Bank to shore up international confidence. The GOK also pledged USD 5 million to the Hariri Tribunal start-up costs and may be willing to support future operating costs as needed. The Kuwait Red Crescent provides significant emergency relief and assistance to Lebanon, especially in the wake of the 2006 war. Assistance focuses both on in-kind donations, food and medical deliveries, and distribution of money, technical assistance, and logistical support to local Red Crescent societies.

¶6. (C) Palestinian Territories: Though absent from the Annapolis Conference, the GOK pledged USD 300 million at the December 2006 Paris Donor's Conference and remains strongly

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supportive of Palestinian Authority President Abbas and Prime Minister Fayyad. Kuwaitis are concerned over conditions in Gaza and openly critical of Israeli pressure on the civilian population. The GOK has also condemned Hamas rocket attacks against Israel. Kuwaiti charities, notably the Kuwait Red Crescent Society and the Social Reform Society (affiliated with the Kuwait Muslim Brotherhood), are active in Gaza. Despite favorable noises from senior officials concerning the OPIC loan guarantee program for West Bank housing, the GOK has yet to allocate any of its Paris pledge for this purpose.

The Kuwait Red Crescent has also been active in the Palestinian Territories, especially in response to the closing off of Gaza. Assistance focuses both on in-kind donations, food and medical deliveries, and distribution of cash, technical assistance, and logistical support to local Red Crescent societies.

¶7. (SBU) Yemen: At the November 2006 pledging conference in London, the Arab Fund pledged 700 million Kuwaiti dinar (USD 2.45 billion) to Yemen. To date, USD 80 million has been disbursed. Projects to expand the airport, construct a causeway out of Aden, contribute USD 100 million in social funds, develop public works and employment projects, enhance agriculture in the south, modernize the network of rural roads, and upgrade the sewage system in Aden are in the pipeline or underway.

Aid to Iraq: A Complicated Tale

¶8. (C) Over the last four years, the GOK has pledged USD 900 million in aid for reconstruction/development in Iraq, but has disbursed roughly USD 21 million to date. After years of delay due to internal security concerns, the Kuwaitis now say they are awaiting project/sector proposals from the Iraqi government. They have also cited the inability to monitor projects and concerns over Iraqi corruption as justifications for not disbursing aid more rapidly. The GOK also continues to delay any action on forgiveness of Saddam-era Iraqi debt to Kuwait, citing domestic political sensitivities (Note: although neither have they actively sought to collect on their debt. End note.). On United Nations Compensation

Commission compensation, the GOK opposes reducing the current five percent level until Kuwait's environmental claims are funded (likely in 2010), and resents repeated Iraqi attempts to persuade the UN (without any bilateral consultation with the GOK) to reduce it to one percent. Amiri Economic Advisor Dr. Yousef El-Ebraheem recently suggested that southern Iraq requires its own Marshall Plan to foster economic development and job creation, and said the 2009 Arab Economic Summit, which Kuwait will host, would be an appropriate forum to discuss this.

¶9. (C) Iraq's membership in the Arab Fund remains suspended following unsuccessful attempts by the Government of Iraq (GOI) and Arab Fund to reach an informal agreement in 2007 on the repayment of some USD 110 million in arrears. The Arab Fund professes to remain open to an easy repayment regime provided the GOI shows good faith and at least nominally begins paying down its arrears. The Arab Fund leadership has indicated that hundreds of millions of dollars in concessional loans could flow to Iraq once that occurs. Senior U.S. officials have suggested that once the arrears are resolved to the Fund's satisfaction, GOI and U.S. experts can travel to Kuwait for consultations with the Fund and other Arab donors on specific project support to Iraq. Arab Fund Director Al-Hamad said the Fund would be happy to host such an event, provided the U.S. clears the proposal at the political level with key Arab donors such as Saudi Arabia and UAE.

More Oil, More Aid?

¶10. (U) While it is difficult to determine causation, one can safely assume that the rapidly increasing price of crude oil has had an impact on the increase in foreign assistance from Kuwait. Between 2000-2004, the Arab Fund increased its amount of total loans on average of 2% annually. Post-2004, the rate is on average 4.5% a year for roughly the same total number of assistance projects. Kuwaiti donors have varied levels of follow-up on these grants and loans, but most of the larger donors require at least regular reporting, audits, and also site visits.

¶11. (U) In addition to its bilateral aid, Kuwait provides assistance multilaterally, specifically through the International Monetary Fund debt relief initiative for Heavily Indebted Poor Countries. In 2006, Kuwait provided

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debt relief to 15 countries worth an estimated USD 376 million. The Government of Kuwait has also offered oil and its derivatives as assistance to Jordan for a three-year period ending in 2010.

¶12. (U) In addition, Kuwait provides financial assistance through its sovereign wealth fund, the Kuwait Investment Authority (KIA). KIA contributes heavily to financing and development of social services in the developing world. These projects are largely done in coordination with the World Bank, International Monetary Fund, and the United Nations. To coordinate bilateral assistance, Kuwait attends semi-annual meetings with the Abu Dhabi Development Fund, Saudi Development Fund, and the Islamic Development Bank among others to identify priority areas and avoid significant overlap. The Kuwait Red Crescent Society coordinates with the International Federation of the Red Cross, the United Nations, and on a bilateral basis with the Red Cross/Red Crescent in the recipient country.

GOK Commitment to Donor Coordination

¶13. (SBU) On February 4, 2007, the Arab Fund hosted a unique international donor coordination event to promote dialogue and increase cooperation between leading Arab and international donors. Nine Arab organizations that comprise

the Arab Fund's joint secretariat (and which together represent more than USD 80 billion in annual expenditures) attended, along with twenty international organizations, including USAID, the World Bank, Japanese, Canadian, and European development agencies among others (See Ref C). Currently, there is no official declaration of Kuwait's interest in securing closer cooperation with the Organization for Economic Cooperation and Development's Development Assistance Committee. However, the GOK has made it clear that it is interested in bolstering its engagement with international donors, including the U.S., by increasing its attendance at international donor meetings and building on discussions from the February 2007 event.

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